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SUBJECT: UPDATE ON THAI CUSTOMS AND ALCOHOLIC BEVERAGES

REF A) SECSTATE 57887, B) BANGKOK 2535

1. (SBU) Summary. During recent introductory calls at the Thai Customs Department, the Ministry of Finance, and the Ministry of Commerce, Econ Counselor, econoff and CommAtt followed up with the RTG regarding Thai customs treatment of alcoholic beverages. Although Customs said it will conclude its evaluation within three months and Commerce said that responses to the 21 questions have been drafted, the companies' concerns about 100 percent application of deductive valuation have not been resolved. End summary.

2. (SBU) Newly arrived Econ Counselor took advantage of introductory calls to highlight for Thai officials U.S. concerns about customs valuation of alcoholic beverages. Natina Santiyanont, Director of Customs Standard Procedure and Valuation Directorate, said the gap between the declared value and the duty-free retail price of the alcoholic beverages involved attracted Thai government concern. She said that Customs is doing an intense analysis of the pricing factors and plans to come to a conclusion within three months, "maybe sooner." Natina envisages the outcome as a precedent for future, similar cases, "so we do not have to go through this every time." She said that the Ministry of Justice's Department of Special Investigations (DSI) believes that alcoholic beverage importers may be undervaluing their shipments by submitting inaccurate invoice prices. She said she is working with the companies to evaluate pricing data, but the "the data is very complex."

3. (SBU) Sommai Phasee, Deputy Minister of Finance, reiterated the RTG concern over transfer pricing. He said the RTG suspected that some alcohol producers simply make up the invoiced price, but that the authority to deal with these cases rests with the Customs Department. Sommai also expressed concern that foreign producers' pricing methods are undermining domestic competition.

4. (SBU) Pimchanok Vonkhorporn, Director of Multilateral Trade Negotiations at the Ministry of Commerce, said that general draft responses to the 21 questions (Ref. A) have been prepared, but that detailed responses still require input from the Customs Department. The RTG is aware that customs valuation issues will be raised again at the meeting in Geneva later this week, but, Pimchanok said, it is not clear that much more will be reported beyond what was said at the last meeting in June. The official RTG response to the questions from the WTO is still being decided "at high levels."

5. (SBU) All three officials noted that many policy decisions will await formation of a new government after the elections scheduled for December 23, but did not indicate the RTG response to the WTO Customs Valuation Committee would have to wait until that time. Natina, in particular, left the impression that resolving this case is essentially a technical matter not waiting on policy decisions at

the top.

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